

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 296059

FOR DEPUTY ASSISTANT SECRETARY FISHLOW FROM ASSISTANT  
SECRETARY ROGERS

FOLLOWING TELEGRAM SENT ACTION SECSTATE FROM CARACAS DTD 10 DEC 1975

QTE

C O N F I D E N T I A L CARACAS 12812

E.O. 11652: GDS

TAGS: ENRG, PFOR, VE

SUBJECT: PIW ARTICLE ON TECHNICAL ASSISTANCE CONTRACTS DRAWS  
LITTLE REACTION; SECOND ARTICLE DUE ON OIL PRICES

REF: CARACAS 12418

1. THE DECEMBER 1 PETROLEUM INTELLIGENCE WEEKLY ARTICLE ON  
TECHNICAL SERVICE CONTRACTS HAS SO FAR DRAWN LITTLE PUBLIC  
ATTENTION. THE ENGLISH LANGUAGE DAILY JOURNAL AND THE SPANISH  
LANGUAGE EL NACIONAL BOTH REPRINTED THE PIW ARTICLE WITHOUT  
COMMENT ON DECEMBER 6 AND IN THE CASE OF EL NACIONAL, ON AN  
INSIDE PAGE.

2. ON DECEMBER 5, 1975, THE MAS PARTY SENATOR, ANDRES  
SOSA PIETRI, WAS QUOTED BY EL NACIONAL AS SAYING THAT  
THE COMPENSATION AGREEMENTS WERE SENT TO CONGRESS AS A  
MERE FORMALITY TO COMPLY WITH THE NATIONALIZATION LAW.

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HE ADDED THAT CONGRESS DOES NOT HAVE ALL THE INFORMATION

ON NEGOTIATIONS CONCERNING THE TECHNICAL SERVICE CONTRACTS; BUT SINCE THESE ARE BEING NEGOTIATED WITH THE SAME GOV OFFICIALS WHO DREW UP THE COMPENSATION AGREEMENTS, IT CANNOT BE DETERMINED WHETHER THE GOV IS BEING GENEROUS IN THE TECHNICAL ASSISTANCE CONTRACTS TO MAKE UP FOR LESSER COMPENSATION SETTLEMENTS, OR VICE VERSA, OR NEITHER. ON DECEMBER 8, MAS PARTY DEPUTY, FREDDY MUNOZ, ANNOUNCED THAT HIS PARTY HAD VOTED AGAINST APPROVAL OF THE COMPENSATION AGREEMENTS IN THE BICAMERAL COMMISSION BECAUSE THEY DID NOT TAKE NATIONAL INTEREST SUFFICIENTLY INTO CONSIDERATION. IN PARTICULAR, HE CLAIMED THAT DEDUCTIONS FOR OIL DRAINAGE WERE INSUFFICIENT, ONLY THE VALUE OF 37 MILLION BARRELS AS AGAINST OVER 200 MILLION BARRELS WHICH CVP TECHNICIANS ALLEGEDLY CALCULATED THE OIL COMPANIES OWED TO THE STATE. MEP PARTY NEGATIVE REACTION TO THE COMPENSATION AGREEMENTS IS BEING REPORTED BY SEPTTEL.

3. ALSO ON DECEMBER 5, THE DAILY JOURNAL REPORTED THAT PETROVEN HAD REACHED AN AGREEMENT ON POST-NATIONALIZATION PRICES WITH ONE OF THE "MAJOR OIL COMPANIES". THE DAILY JOURNAL FOLLOWED THIS STORY WITH ONE ON DECEMBER 6 REPORTING THAT GOV NEGOTIATORS WERE ALARMED BY THE NEWS LEAK ABOUT THE OIL PRICE NEGOTIATIONS. THE DAILY JOURNAL ADDED THAT A "SPECIALIZED OIL PUBLICATION ABROAD" HAD THE OIL PRICE FIGURES AND PLANNED TO PUBLISH THEM. NO ONE WOULD CONFIRM TO THE DAILY JOURNAL THAT AN AGREEMENT ON PRICES HAD BEEN REACHED WITH A MAJOR COMPANY BY THE GOV.

4. WE UNDERSTAND FROM SEVERAL SOURCES THAT THE OIL PRICES ARE BEING PUBLISHED BY PIW IN ITS DECEMBER 8 ISSUE. ALL MAJOR CONCESSIONAIRES HAVE DENIED THAT THEY HAVE REACHED AN OIL PRICE AGREEMENT. CREOLE OFFICIALS WENT EVEN FURTHER AND DENIED THAT THE COMPANY IS READY TO SIGN A TECHNICAL SERVICE CONTRACT. C.W. BAISLEY, FROM THE CREOLE LAW DEPARTMENT, AND H.L. SIEGELE, A DIRECTOR, TOLD THE PETROLEUM ATTACHE THAT, IN SPITE OF THE INFORMATION IN THE PIW ISSUE OF DECEMBER 1 AND COMMON GOSSIP, CREOLE HAS STILL NOT REACHED AGREEMENT OF SEVERAL POINTS IN THE TECHNICAL SERVICE CONTRACT. CREOLE, SHELL AND MENE GRANDE OFFICIALS ALL STATE CATEGORICALLY THAT THERE IS NO PRICE AGREEMENT.

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5. COMMENT - RUMOR HAS IT THAT MOBIL IS THE COMPANY WHICH HAS REACHED A PRICE AGREEMENT ON MINOR QUANTITIES OF OIL, MOBIL HAS MAINTAINED A LOW PROFILE OVER THE PAST TWO MONTHS, BUT WE MAY BE ABLE TO CHECK OUT THE RUMOR IN A MEETING WHICH THE PETROLEUM ATTACHE HAS SCHEDULED WITH MOBIL PRESIDENT RICHARD HOWE ON DECEMBER 10. BAISLEY'S COMMENT THAT CREOLE STILL HAS SEVERAL POINTS OF DIFFERENCE WITH THE GOV OVER THE TECHNICAL ASSISTANCE CONTRACT MAY REFLECT

A NEGOTIATING STANCE IN VIEW OF THE FACT THAT THE COMPANY  
HAS ALREADY INITIALED THE CONTRACT (WHEN IT ACCEPTED THE  
COMPENSATION OFFER). SUCH DIFFERENCE WILL PROBABLY BE  
RESOLVED WHEN A MUTUALLY SATISFACTORY PRICE AGREEMENT IS  
REACHED. THE LIMITED PRESS REACTION TO THE SPECIFIC PIW  
ARTICLE OF DECEMBER 1 SUGGESTS THAT THE GOV IS KEEPING  
THE LID ON UNTIL THE CRUCIAL PRICE NEGOTIATIONS ARE  
CONCLUDED. END COMMENT.  
SHLAUDEMANN UNQTE INGERSOLL

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